

tal amount disbursed for assistance in all 51 jurisdictions—\$80 million—was slightly more than in December and about 2 percent above that in January 1944. The average pay-

ment also moved upward slightly during the month in all programs and was appreciably higher than in January 1944. Over the year, the rise in aid to the blind was relatively

least—from \$28.03 to \$29.39—and largest in aid to dependent children, in which the average payment per family was \$41.68 in January 1944 and \$45.68 this January.

Social Security for "Industrialized" Agriculture

By A. J. Altmeyer*

THE ADOPTION of a broad definition of "agricultural labor" in the amendments to the Social Security Act in 1939 deprived some 450,000 to 600,000 persons of the old-age insurance protection they had enjoyed under the original act of 1935. In addition, 100,000 to 250,000 workers whose status under that program had previously been in doubt were definitely excluded. The major agricultural groups affected were field workers employed under essentially industrial conditions, employees of labor contractors, and persons employed by packing and processing plants in preparing farm products for market.

The change in the Federal statute also affected unemployment compensation coverage, but less directly, for workers' rights under State unemployment compensation laws were not affected unless the State chose to conform its system to the definition in the Federal Unemployment Tax Act. Two-thirds of the States have thus amended their provisions.

The reaction of the persons newly excluded, typified in the following excerpts from letters in our files, has ranged from bewilderment at the designation of their jobs as "agricultural labor" to indignation and disappointment at their removal from the social security program. "The law is a gross injustice," wrote an employee of a greenhouse. "Scores of men are engaged in raising flowers (which is more of a luxury product than anything else and in no way connected with a food growing project) and are now left without any old-age insurance or unemployment insurance." An irrigation ditch worker voiced his disapproval in a letter to his Congressman as follows: "I have been working for this canal company for 12 years. We were under the Social Security for 3 years and then got

kicked off because it was agricultural labor. I would like to know why."

History of the Exclusion¹

Workers engaged in purely agricultural pursuits were originally excluded in 1935 from both the old-age and the unemployment insurance programs because of the administrative difficulties involved in covering them, despite the knowledge that they were as much in need of protection as industrial and commercial employees. Collecting contributions and obtaining wage reports from numerous small employers unaccustomed to keeping records posed problems to which the answers were not then known. There was also the question whether to include or exclude wages "in kind" received by many farm workers. These administrative considerations were sufficiently strong to result in deferring the coverage of agricultural workers until experience had been gained in less difficult areas of coverage and techniques had been devised for meeting the special problems involved.

The original Social Security Act did not define "agricultural labor." Instead, the term was interpreted in identical regulations adopted by the Social Security Board and the Bureau of Internal Revenue, in its role as collector of social security contributions. As defined in these regulations and in the States' unemployment compensation regulations, "agricultural labor" included services performed by an employee of a farm owner or tenant on a farm in cultivating the soil, raising and harvesting crops, or raising livestock, bees, and poultry. Certain other activities, such as processing, packing, transportation, and marketing, when carried on as

part of ordinary farming operations as distinguished from manufacturing or commercial operations, were also included. The term "farm" included, in addition to the farm in the ordinarily accepted sense, "stock, dairy, poultry, fruit, and truck farms, plantations, ranches, ranges, and orchards."

Differences of opinion soon arose between employers and the Bureau of Internal Revenue as to what should properly be considered "agricultural labor" and thus exempt from contributions. In determining eligibility for benefits, the Board became involved in the same question. Both agencies were confronted with an increasing burden of coverage determinations in "border-line" cases. The most common issue arose in construing what activities were properly "incident to ordinary farming operations."

To meet this situation, the Board recommended that Congress adopt a statutory definition of agricultural labor. It was suggested that the definition restrict the exception to services performed by a "farm hand employed by a small farmer to do the ordinary work connected with his farm." Such a definition would have resolved uncertainty about the status of the border-line workers by bringing them under the program and would have extended coverage to workers engaged in preparing agricultural products for market under industrial conditions.

When the Social Security Act was amended in 1939, a definition of agricultural labor was written into the act. Instead of confining the exception to those employment relationships where complex problems of collection of contributions and wage reporting had justified the original exclusion, however, the amendment defined the exception so broadly as to comprehend types of employment which had presented no special administrative problems.

This broadening of the definition of agricultural labor was largely motivated, according to a report of the House Ways and Means Committee, by a desire to relieve a tax inequity, said

¹ See also Altmeyer, A. J., "Social Security in Relation to Agriculture and Rural Areas," *Social Security Bulletin*, Vol. 3, No. 7 (July 1940), pp. 3-6.

*Chairman, Social Security Board.

to exist under the definition used in the regulations, between large and small farm operators. It was argued at hearings on the amendments that the small farmer ordinarily did not process his product on his farm but turned it over to commercial processors or cooperatives. These establishments, being off the farm, were not exempt from the payment of social security contributions, and the costs of their contributions, it was contended, were passed back to the small farmer. On the other hand, it was pointed out, large farm operators, having sufficient production to justify the maintenance of a processing or packing plant on their farms, were not required to pay social security contributions. Exempting the activities of the commercial processors and cooperatives would, it was believed, remove the competitive advantage enjoyed by the large farmers.

The definition further widened the exemption by removing the existing coverage of persons working on farms in special trades or occupations and in the employ of the farm owner or operator. Thus, bookkeepers, carpenters, mechanics, and similar non-agricultural workers were no longer insured. In addition, the meaning of "farm" was extended to include enterprises raising animals for furs, and nurseries, greenhouses, and mushroom caves, in either rural or urban areas. The reason advanced for these new exemptions was that they would simplify administration.

The Newly Excluded Groups

The expanded definition of "agricultural labor" adversely affected the status of some 550,000 to 850,000 workers with respect to both old-age and survivors insurance and unemployment insurance. In addition to excluding persons whose status previously had been doubtful and who, under an appropriate definition, would have been covered, many other workers were eliminated from coverage despite strong reasons for their inclusion. The majority of these workers were not actually engaged in cultivating and harvesting agricultural products in the employ of farm owners or operators. About 100,000 to 250,000 genuine field workers whose coverage status was formerly in doubt were now definitely excluded. Between 150,000 and 300,000 workers employed by labor con-

tractors and hired out in large gangs were no longer covered, because of the removal of the qualification that the services had to be performed in the employ of the farm owner or operator. Finally, some 300,000 persons engaged in handling agricultural products under essentially manufacturing or commercial conditions now either were clearly outside the program or had an indeterminate status.

The last group consisted of about 135,000 workers in fruit and vegetable packing houses, 15,000 persons employed in the processing of dried fruits, 20,000 employees of bean-cleaning elevators, 60,000 workers in cotton gins, 10,000 poultry-hatchery employees, and 60,000 persons employed in nurseries, greenhouses, and irrigation enterprises and on farms in special trades or occupations, such as clerks, carpenters, and mechanics.

Instead of decreasing the administrative task of interpreting the agricultural exception, the new definition demanded examination of even more cases to determine whether the services were covered. Determinations became not only more numerous but also much more complicated. Detailed studies of the methods of preparing individual agricultural commodities were necessary to determine whether the services were performed in "the preparation of fruits and vegetables for market." Similar studies were required of even the activities which had been specifically excluded, such as the growing of mushrooms and the ginning of cotton, in order to determine the extent of the exclusion.

Many new problems were introduced. It became exceedingly difficult, for example, to convince a canal worker, or a bookkeeper employed in the office of a dairy, that the designation of his job as "agricultural labor" was justifiable. Protesting letters came in increasing numbers from workers in greenhouses, nurseries, citrus-packing houses, dried-fruit plants, and similar establishments.

Another problem concerned the question of inequity to persons who had been covered but now were excluded. The insured status they had obtained under old-age insurance by contributing for 3 years was gradually dissipated because their employment was no longer covered. Those who were able to maintain their insured status and to qualify for benefits by

reason of other covered employment found that the omission of earnings after 1939 in activities now defined as "agricultural labor" was substantially reducing the amount of the retirement or survivor benefits ultimately payable on their earnings.

A series of studies of the fruit and vegetable industry was made by the Board for use by itself and by the Bureau of Internal Revenue in connection with the administrative problem of delineating the boundary lines of the broadened agricultural-labor exception. These studies all revealed the inappropriate nature of the definition. It was clearly incongruous to exclude a worker employed by a large corporation to operate an automatic machine for packing raisins, while extending coverage to his friend who worked across the road in a canning factory.

A study of the citrus-fruit industry revealed that employees of the large, expensively equipped packing plants are little more than attendants of the machines they operate. The inside of a typical citrus-packing house is a maze of conveyor belts and machinery. There is little to distinguish the conditions under which workers perform services in these plants from those in ordinary urban factories. Except for the product handled, the work is virtually identical.

Similarly, a study of the dried-fruit industry disclosed that the preparation of that commodity for market is carried on under essentially industrial conditions. Most of the packing houses are operated by large corporations which could very well manufacture a nonagricultural product without changing their basic method of operation. Olive-packing houses, bean elevators, and cotton gineries also were seen to be operated under industrial conditions.

The argument for excluding these workers from the social security program on the theory that the incidence of social security contributions falls back on the small farmer is questionable. There is little reason to believe that the fruit and vegetable processor does not pass on to the ultimate consumer, rather than back to the producer-farmer, the relatively small increase in cost of production occasioned by social insurance contributions. Certainly the food-canning and freezing industry, which is covered, meets

the added costs without raising a similar argument. In any event, the argument that it was inequitable to cover the commercial operations and not similar operations on large farms could have been met by covering both. It is noteworthy, too, that fruit and vegetable packers in California, where the highest degree of industrialization and concentration of agriculture is found, have been covered from the beginning by the State unemployment insurance program and pay the contributions assessed under that program—contributions substantially higher than employers' contributions under old-age and survivors insurance.

There is even less justification for exempting employment by waterworks, greenhouses, nurseries, for "farms," and similar activities, or for excluding specialists and skilled non-agricultural workers on farms. On such extraneous considerations as whether the water happens to flow finally into a field, rather than into a housewife's kitchen, does the status of a waterworks employee under the social security program depend. His employer is accustomed to keeping records and filing tax reports. To attempt to justify his exclusion with the argument that it helps relieve the economic handicaps of agriculture is to offer him an explanation which seems utterly unrelated to the basic question: Is he the type of worker for whom social insurance protection is both desirable and, without the use of special administrative procedures, feasible?

Efforts at Revising the Definition

At various times since 1940, specific bills have been introduced in Congress to confine the definition of agricultural labor more closely to the non-industrial group for which the exception was originally intended. One bill, introduced in 1944 and reintroduced in 1945, would restore coverage to some 15,000 workers in dried-fruit packing houses. This bill was introduced at the request of one of the largest employers in that industry, with the general approval of the industry, for the avowed purpose of making such jobs more attractive. The sponsors of the bill have pointed out that the shortage of labor in the dried-fruit processing industry has been aggravated by the preference shown by workers for jobs in local

covered establishments, such as canning factories.

Another bill introduced in the 78th Congress would have gone somewhat further. It proposed to cover all workers who handle and prepare agricultural commodities for market after the commodities have left the farm. This bill would have restored protection to most of the 300,000 quasi-industrial workers excluded under the 1939 amendments.

A Suitable Definition of Agricultural Labor

Experience in interpreting the agricultural-employment exemption under both the original Social Security Act and the amendments confirms the extreme difficulty of precisely delimiting agricultural labor. Other Government agencies which have had to define the term have experienced similar difficulties.

The bills thus far introduced for narrowing the definition of "agricultural labor" have focused upon particular areas of employment. While these changes would have desirable results insofar as these areas are concerned, they leave the basic problem unsolved. What is needed is a comprehensive reappraisal of the present exemption.

Extension of coverage to all agricultural labor would, of course, solve the problem entirely.² Until this is done, however, "agricultural labor" should be redefined in the light of the objectives of the social security program. An appropriate definition would limit the scope of the exemption to the particular area of employment which presents special administrative problems. Workers handling agricultural products under conditions which are hardly distinguishable from those encountered in commercial manufacturing should be covered. The quasi-industrial employees now excluded would thereby be readmitted to the program. Persons employed by labor contractors and packing houses, rather than by farmers themselves, would be covered. The term "farm" should be narrowly construed to apply to bona fide dirt farming only and not to urban or highly specialized enterprises. In no case should services performed off the farm be defined as "agricultural."

² Altmeier, A. J., "Social Security for Farm People," *Social Security Bulletin*, Vol. 7, No. 4 (April 1944), pp. 3-6.

What Coverage Means to a Family

To see the effect of the exclusion of agricultural workers and the grounds for their protests, let us take an example of old-age and survivors insurance benefits. Say that John Smith has worked in covered employment at an average monthly wage of \$150 since this provision of the Social Security Act became effective at the beginning of 1937 and that he has now reached the age of 65. If he chooses to retire, he will receive regular monthly payments of \$32.40 for the rest of his life. When his wife reaches age 65, she will receive half as much, bringing the total amount for the couple to \$48.60 a month. If John Smith has a minor child, that child will also get half the retirement benefit amount—that is, \$16.20—until he is 16 years old, or 18 if he is attending school. If John Smith dies, his widow's benefit will be increased to three-fourths of her husband's benefit amount, or \$24.30 a month.

Now let us suppose that John Smith—again with taxable earnings of \$150 a month since the beginning of the system—is a younger man who dies leaving a wife and two children, 1 and 4 years old. The widow's benefit will be three-fourths of her husband's benefit amount, or \$24.30, and each child will receive \$16.20 a month. The family will thus receive a total of \$56.70 a month which will continue for 14 years—until the older child is 18 years old. Then his payments will stop, and the family's total benefit will be \$40.50 for 3 years, until the younger child reaches 18. Then benefits will stop, but when the widow reaches age 65 she will be entitled to receive \$24.30 a month, unless she remarries, as long as she lives.

Of course, \$56.70 a month is not a large sum. It is not sufficient for the comfortable support of a woman and two children. But the great virtue of old-age and survivors insurance benefits is that they are steady and continue for long periods of time when family needs are greatest. They are intended as basic security, over and above which each family is expected to build its own security—through savings, the ownership of a home, private insurance, and so on. The small cost of old-age and survivors insurance permits such security to be built up. In the example cited just above, John Smith paid less than \$150 for his social insurance

policy, which—should Mrs. Smith live till age 75—will pay out \$13,000 or more to his widow and children.

The Social Security Board believes that, in justice to an occupational group which stands in serious need of insurance protection, the Social Security Act should be amended to provide old-age and survivors insurance for all persons engaged in "agricultural labor" as well as farmers,

and that unemployment compensation likewise should cover farm employees. The Board has also recommended that the present social insurance program be broadened to include insurance against wage losses due to disability and medical and hospitalization insurance. Agricultural labor and farmers would benefit from such broadened insurance protection. The social insurance

principle is already being used by almost 50 million industrial and commercial workers who earned wage credits under old-age and survivors insurance in 1940. More than a million persons already are entitled to monthly insurance benefits. By building on the existing foundation, agricultural labor and farmers can obtain maximum social security protection at minimum cost.

Children and Family Security

By Thomas J. Woolfer, Jr.*

THE CONCENTRATION OF children in families with low incomes was discussed in a previous article.¹ Some of this analysis of the composition and income of nonfarm families receiving wages or salaries only is recapitulated in table 1. It was pointed out that nearly half of the children (under 18 years of age) were in the one-seventh of the families which had three or more children apiece; that more than two-thirds of the children were in families in the lower half of the income distribution; and that geographic variations in wage levels and family sizes create areas of especially pronounced disadvantage.

The present article explores the problem of judging the adequacy both of private incomes and of incomes derived from social insurance benefits and public assistance payments, particularly those benefits and payments which affect the largest numbers of families with children.

In the first article it was demonstrated that it is necessary to reduce total family income to a modified per capita or unit basis in order to compare families of varying compositions. The method of reduction used was to allocate a value of one unit to adults and one-half unit to children in order to calculate the number of family units in the family. By this method

it appeared that the income per unit of families without children was more than twice the unit income of the families with three or more children, which included nearly half the children. The same device is used in this article to reduce incomes which support families of varying sizes and the costs of fixed budgets to a comparable basis. The family unit incomes cited are, therefore, to be interpreted as income per adult person or per adult equivalent.

Measures of Adequacy

To measure the adequacy of the income of a family or group of families, two scales are at hand, both having advantages and disadvantages. These scales are, first, the cost of an independently determined budget of goods and services which are considered as a minimum necessary for an acceptable level of living for wage-earning families² and,

² Fuller discussion of the budgetary method of determining adequacy, together with description of various budgets, may be found in *Security, Work, and Relief Policies*, National Resources Planning Board, Committee on Long-Range Work and Relief Policies, 1942, pp. 161-164 and Appendix 15.

second, the median income available in the area under consideration, which is the measure of the level below which half of the families actually live.

The application of both yardsticks to incomes in 33 cities is shown in table 2 and chart 1, which compare the lower half and lower quarter of family unit incomes from wages or salaries with the family unit cost of the maintenance budget. This budget comprises the goods and services originally selected by the WPA as the measure of the normal needs of a wage-earning or white-collar family. It was subsequently revised by the Bureau of Labor Statistics and priced in the 33 cities shown.

The average unit cost of the maintenance budget in these cities in 1940 was \$427 as against a median national urban unit income of \$533. The range in the unit cost of the budget was from \$365 to \$467. The range in median unit income on the other hand was from \$303 to \$704. In 6 of the low-wage cities the unit cost of the budget was above the median income, and in all of the 33 cities the unit cost of the budget was above the lower quarter of the incomes, indicating that from about 25 to 70 percent of the families, including about 35

Table 1.—Families and children, by number of children in family and family unit income
[Nonfarm families, 1940, with only wage or salary income in 1939]

Family type and family unit income	United States		South		New York City	
	Percent of families	Percent of children	Percent of families	Percent of children	Percent of families	Percent of children
Family type:						
No child.....	47	0	37	0	52	0
1 child.....	24	20	26	18	24	27
2 children.....	15	32	17	24	15	35
3 or more children.....	14	48	20	58	9	38
Family unit income:						
Under \$150.....	11	16	20	26	3	4
150-299.....	17	32	23	33	9	21
300-449.....	20	20	22	19	15	21
450-599.....	15	13	13	8	16	15
600-749.....	17	8	12	6	20	23
750 and over.....	20	11	12	6	37	19

*Director of Research, Federal Security Agency.

¹ "Children and Family Income," *Social Security Bulletin*, Vol. 8, No. 1 (January 1945), pp. 4-9. This analysis, based on the census of 1940, covered the urban and rural nonfarm families receiving income in 1939 from wages or salaries only—42 percent of all families. Family income was reduced to unit (modified per capita) income by dividing it by family units which value adults as one unit and children as one-half. Full definitions of terms and categories are given in the technical note of the article cited above.